



APRIL 15, 2016

PROJECT NO: 16-102
VIA US MAIL

CERTIFIED MAIL NO. 7008 1830 0004 0472 7214
RETURN RECEIPT REQUESTED

Ms. Carol Stein
U.S. Environmental Protection Agency – Region 2
290 Broadway
New York, NY 10007-1866

RE: Proposed 2016 Budget
Bankruptcy Case No. 1: 15-bk-10003-MFW; EPA ID No. VID980536080

Dear Ms. Stein,

The HOVENSA Environmental Response Trust (ERT) has completed an estimated budget for 2016 in accordance with Section 3.2 of the ERT Agreement. This estimated budget is built upon known costs from HOVENSA, L.L.C.'s routine operating expenses and does not include contingency items. As per the ERT Agreement, additional Agency approval is required for any deviation by more than ten percent of the agreed upon budget.

Funding for the HOVENSA ERT is provided by four different sources: 1) Accounts established by the ERT ("ERT Accounts"); 2) Two RCRA Financial Assurance (FA) Trusts administered by the EPA ("RCRA FA Trusts"); 3) Up to thirty million dollars provided by Limetree Bay Terminals, LLC ("Limetree") as per the January 4, 2016 Asset Purchase Agreement; and 4) An Escrow Account established specifically to fund the Virgin Islands Territorial Supplemental Environmental Project (SEP) as required by the Consent Decree (Case No. 1:11-cv-00006). Estimated 2016 expenditures for each funding source are summarized below and details are provided in the enclosed **Table 1**. The estimated budget for 2016 begins on the effective date of the HOVENSA ERT (February 17, 2017), i.e., the budgeted items from February 17 through April 15, 2016 have been expended.

Funding Source	2016 Estimated Expenditures	Initial Funding	Funding Intent
ERT Accounts	\$772,000	\$5,775,578	Working accounts for the ERT
RCRA FA Trusts	\$3,209,000	\$36,561,000	As specified for designated SWMUs and AOCs
Limetree	\$4,176,000	\$30,000,000	For ERT expenses not covered by the RCRA FA Trusts
CD Escrow	\$4,875,000	\$4,875,000	VI SEP

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HOVENSA Environmental Response Trust

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U.S. Environmental Protection Agency – Region 2

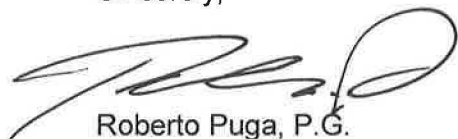
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We look forward to the opportunity to discuss the 2016 estimated budget with you and suggest that a face to face meeting will be productive, given that this is the first instance an ERT budget will be presented to the U.S. EPA.

We also respectfully request your written approval of the budget as soon as possible to ensure continued compliance with the ERT Agreement. For your convenience, **Table 1** lists each of the line items in the Wind Down Cost Estimate and specifies which line items require EPA and U.S. approval as per section 7.13 of the ERT Agreement.

If additional information is required, please contact Carey Guilbeau at (340) 692-3179.

Sincerely,



Roberto Puga, P.G.
Trustee

Enclosure

cc: Mr. Norman Williams, VIDPNR
Mr. Jim Casey, EPA Region 2
Mr. David Bennett, GES

Section Chief
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
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Washington, DC 20044-7611
Ref: DOJ No. 90-5-2-1-08229/2

Chief, Special Projects Branch
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Commissioner
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Claude Walker, ESQ
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Table 1. HOVENSA Environmental Response Trust 2016 Budget

Approval Authority	ERT Account	ERT Agreement Wind Down Estimate Line Items		Funding Source												2016 Totals	
				ERT Account				RCRA Financial Assurance Trusts (Administered by EPA)				Limetree (As per Section 7.33 of the Asset Purchase Agreement)					Consent Decree Escrow
Q1 2016 ¹	Q2 2016	Q3 2016	Q4 2016	Q1 2016 ¹	Q2 2016	Q3 2016	Q4 2016	Q1 2016 ¹	Q2 2016	Q3 2016	Q4 2016						
EPA	Remediation	1	PRPP - OWS Testing & Repair									\$21,362	\$44,250	\$44,250	\$44,250		\$154,112
EPA	Remediation	2	Scrap Metal / Recycle Yard Management											\$500,000	\$500,000		\$1,000,000
EPA	Remediation	3	Asbestos Landfill										\$5,000				\$5,000
EPA	Remediation	4	Corrective Action / Remediation / Hydrocarbon Recovery					\$231,000	\$520,500	\$520,500	\$520,500	\$77,000	\$76,250	\$76,250	\$76,250		\$2,098,250
EPA	Remediation	5	Landfarm 1 Post-Closure					\$5,000	\$15,500	\$15,500	\$15,500						\$51,500
EPA	Remediation	6	Landfarm 2 & 3 / RCRA Permit		\$26,000							\$25,000	\$123,000	\$123,000	\$123,000		\$420,000
DPNR	Remediation	7	TPDES														\$0
EPA	Remediation	8	WWT (Primary & Secondary)					\$102,586	\$212,500	\$525,000	\$525,000	\$150,863	\$312,500				\$1,828,448
US/VI ²	Administrative	9	Data & Records Management & Retention											\$50,000			\$50,000
DPNR	Remediation	10a	Consent Decree - VI SEP													\$4,875,000	\$0
EPA		10b	Consent Decree - WAPA Project	\$8,000	\$139,333	\$139,333	\$139,333										\$426,000
DPNR	Remediation	Line 11	Air Permitting / Title V														\$0
EPA	Remediation	Lines 12 - 24	Tier II, TRI / EI, TSCA, BWON, GHGs, CEMs, Boiler MACT, LDAR, Refinery MACTs, Regional Haze, SO2 non-attainment, SOCMI-HON, Tank Requirements										\$35,000				\$35,000
EPA / DPNR	Remediation	Line 25	Potable Water / SDWA														\$0
US/VI ²	Administrative	26	Utilities: Electric														\$0
US/VI ²	Administrative	27	Utilities: Compressed Air & Water									\$6,035	\$12,501	\$12,501	\$12,501		\$43,538
US/VI ²	Administrative	28	Security														\$0
US/VI ²	Administrative	29	Business Operating Expenses									\$36,350	\$59,213	\$18,000	\$18,000		\$131,563
DPNR	Remediation	30	PLL Insurance Premium									\$1,407,692					\$1,407,692
US/VI ²	Administrative	31	Fees for Trust and Trustee									\$25,000	\$70,000	\$50,000	\$50,000		\$195,000
DPNR	Remediation	N/A	Marine Impact Study		\$80,000	\$120,000	\$120,000										\$320,000
TOTALS				Q1 2016 \$8,000	Q2 2016 \$245,333	Q3 2016 \$259,333	Q4 2016 \$259,333	Q1 2016 \$338,586	Q2 2016 \$748,500	Q3 2016 \$1,061,000	Q4 2016 \$1,061,000	Q1 2016 \$1,749,302	Q2 2016 \$737,714	Q3 2016 \$874,001	Q4 2016 \$824,001	\$4,875,000	
2016 ERT BUDGET (Excluding VI SEP)																	\$8,166,103

Note:

¹Q1 expenses begin on February 17, 2016 which is the effective date of the HOVENSA ERT

²This approval requirement (Section 7.13.5 of the ERT Agreement) is interpreted to mean the US represented by EPA and the VI represented by DPNR.